



## **Filing Receipt**

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October 26, 2023

Public Utility Commission of Texas  
Interim Chairman, Kathleen Jackson  
Commissioner Will McAdams  
Commissioner Lori Cobos  
Commissioner Jimmy Glotfelty  
1701 N. Congress Avenue  
Austin, TX 78711

Re: Project No. 55156, *Implementation Activities 88<sup>th</sup> Legislature*

Dear Chairman and Commissioners:

Electric Reliability Council of Texas, Inc. (ERCOT) is pleased to report that the Dispatchable Reliability Reserve Service (DRRS) market initiative remains on schedule for implementation by December 1, 2024 in accordance with the deadline established by § 51 of House Bill (HB) 1500. An update to the DRRS Market Initiative Report is attached, which reflects ERCOT's submission to the stakeholder process of Nodal Protocol Revision Request (NPRR) 1203<sup>1</sup> and Other Binding Document Revision Requests (OBDRRs) 049<sup>2</sup> and 050<sup>3</sup> that together support implementation of DRRS as a sub-type of Non-Spinning Reserve (Non-Spin). These three Revision Requests are expected to be presented to the ERCOT Board of Directors (ERCOT Board) at its December 2023 meeting and, if approved by the ERCOT Board for recommendation to the Public Utility Commission of Texas (Commission), would be filed with the Commission for consideration of approval at the February 1, 2024 Open Meeting.

ERCOT also notes the filing of a letter to the Commission on October 17, 2023 from Chairman Schwertner, Chairman Hunter, and Vice Chair Holland addressing the DRRS market initiative.<sup>4</sup> In order to provide an opportunity for the Commission to address this letter and potentially give additional guidance to ERCOT at the next Open Meeting, at the Technical Advisory Committee (TAC) meeting held on October 24, 2023, ERCOT requested and TAC voted to table NPRR1203, OBDRR049, and OBDRR050 until its next meeting on December 4, 2023. ERCOT is still assessing the anticipated impact on the timing of delivering Real-Time Co-Optimization (RTC) if a standalone DRRS Ancillary Service was to be developed and

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<sup>1</sup> Nodal Protocol Revision Request 1203, *Implementation of Dispatchable Reliability Reserve Service* (Sept. 27, 2023), available at: <https://www.ercot.com/mktrules/issues/NPRR1203>.

<sup>2</sup> Other Binding Document Revision Request 049, *ORDC Changes Related to NPRR1203, Implementation of Dispatchable Reliability Reserve Service* (Sept. 27, 2023), available at: <https://www.ercot.com/mktrules/issues/OBDRR049>.

<sup>3</sup> Other Binding Document Revision Request 050, *Non-Spin Changes Related to NPRR1203, Implementation of Dispatchable Reliability Reserve Service* (Oct. 9, 2023), available at: <https://www.ercot.com/mktrules/issues/OBDRR050>.

<sup>4</sup> *Implementation of Activities 88<sup>th</sup> Legislature (R.S.)*, Project No. 55156, Dispatchable Reliability Reserve Services (DRRS) Letter (Oct. 17, 2023).

implemented prior to or in parallel with RTC, but at this time, ERCOT expects that such course of action raises a risk of delayed delivery of RTC.

As ERCOT has previously affirmed, ERCOT is committed to moving forward with NPRR1203 on a prompt basis because implementation of DRRS as a sub-type of Non-Spin is the only means to implement DRRS by December 1, 2024. This initiative remains on a tight delivery timeframe; as of this filing, there are approximately 13 months to deliver DRRS and a minimum of 12 months will be required. Preparatory work to support implementation of DRRS as a sub-type of Non-Spin is currently underway at ERCOT and any pause in this work would introduce risk of missing the delivery deadline. To remain on a schedule that can meet the delivery deadline, TAC will need to vote on NPRR1203 and OBDRRs 049 and 050 at the next TAC meeting for the ERCOT Board to consider an approval recommendation at its December 19, 2023 meeting. ERCOT requests guidance from the Commission whether to proceed with implementation of DRRS as a sub-type of Non-Spin by the deadline in HB1500 or, alternatively, whether to initiate development of a standalone DRRS Ancillary Service recognizing that any implementation will be well after December 1, 2024.

ERCOT representatives will be available at the Commission's November 2, 2023 Open Meeting to present this update and to answer any questions. ERCOT appreciates the Commission's direction on the path forward for the DRRS market initiative.

Respectfully submitted,

/s/ Chad V. Seely

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The DRRS initiative fulfills a statutory mandate to create an Ancillary Service to address market uncertainty caused by variations in generation availability.

## Scope

This market initiative will implement a new sub-type of the Non-Spinning Reserve (Non-Spin) Ancillary Service in order to support system reliability while mitigating the use of Reliability Unit Commitment (RUC). This meets the requirements of § 22 of House Bill (HB) 1500 for DRRS while being deliverable within the statutory timeframe established by § 51 of HB1500.

- Public Utility Regulatory Act § 39.159(d) requires that DRRS include the following characteristics:
  - DRRS must be an Ancillary Service procured on a day-ahead and real-time basis to account for market uncertainty.
  - The necessary quantity of DRRS must be determined based on historical variations in generation availability each season based on a targeted reliability standard or goal.
  - RUC must be reduced by the amount of DRRS procured.
  - Resources eligible to provide DRRS must: (1) be capable of running for at least four hours at their high sustained limit, (2) be online and dispatchable not more than two hours after being called on for deployment, and (3) have dispatchable flexibility to address inter-hour operational challenges.
- ERCOT has initiated Nodal Protocol Revision Request (NPRR) 1203 and Other Binding Document Revision Requests (OBDRRs) 049 and 050 to establish DRRS. Associated Impact Analyses (IAs) have also been developed to evaluate estimated costs and budget impacts for the implementation as well as any potential impacts to systems and grid operations.
- Protocol amendments at ERCOT are evaluated through a robust stakeholder process prior to evaluation by the ERCOT Board of Directors (ERCOT Board). This includes review by the Technical Advisory Committee (TAC), which includes consumer and industry representatives. All ERCOT Protocol amendments are reviewed and approved by the Commission.
- At six months and/or one year after DRRS implementation, ERCOT will provide a performance report to the Commission assessing the impacts on the use of RUC for capacity and on additional revenues resulting from the ORDC price floors by Resource type.

## Key Milestones<sup>1</sup>

### Development stage

- June 2023** ERCOT identified three concepts for potential DRRS development options and presented these to TAC on June 27. Evaluation focused on solutions that met the statutory criteria for the Ancillary Service and that could be implemented by the statutory deadline of December 1, 2024. At the June 29 Open Meeting, ERCOT presented these options to the

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<sup>1</sup> Projected milestones are subject to change.

Commission and received direction to focus on the option to create a new sub-type of Non-Spin.

- **July - August 2023** ERCOT continued to engage with stakeholders to ensure that all potential DRRS implementation options were being considered and to refine the Commission's preferred option for DRRS as a sub-type of Non-Spin, including through a workshop on July 27, 2023.
- **September - November 2023** ERCOT submitted NPRR1203, OBDRR049, and OBDRR050 to the stakeholder process to codify the creation of the DRRS sub-type of Non-Spin in the ERCOT Protocols. ERCOT performed an IA for each of these Revision Requests identifying cost, resource, and system impacts.

### Approval stage

- **December 2023** NPRR1203, OBDRRs 049 and 050, and their respective Impact Assessments are expected to be presented to the ERCOT Board at the December 19, 2023 meeting to evaluate and recommend to the Commission.
- **February 2024** The NPRR is expected to be presented to the Commission at the February 1, 2024 Open Meeting for review and potential approval.

### Implementation stage

- **February – November 2023** Upon Commission approval, ERCOT personnel will implement system changes to facilitate the operation and settlement of the DRRS Ancillary Service by December 1, 2024. ERCOT will periodically report on the progress of such system changes to the Commission, the ERCOT Board, and stakeholder committees.

### Evaluation stage

- **2025** ERCOT will provide analysis for evaluation of DRRS after implementation.

## Key Documents and References

### Texas State Leadership

- [HB 1500](#) §§ 22, 51 (88th Leg.)
- [Public Utility Regulatory Act](#) § 39.159(d), (e)
- DRRS [Letter to Commission from Chairman Schwertner, Chairman Hunter, and Vice Chair Holland](#) (Oct. 17, 2023)

### Commission

- [PUCT Project No. 55156](#)
  - ♦ ERCOT [Report](#) to Commission on DRRS implementation options (June 26, 2023)
  - ♦ Commission Staff [Memo](#) relating to prioritization of projects to implement legislation passed during the 88<sup>th</sup> Legislative Session and recommending that no rulemaking is necessary for DRRS (July 18, 2023)
  - ♦ ERCOT [Report](#) in response to the June 29, 2023 Open Meeting addressing timeline next steps for DRRS implementation (July 19, 2023)

### ERCOT

- ERCOT [Presentation](#) to TAC raising urgency of DRRS development (June 27, 2023)
- ERCOT [Workshop Presentation](#) refining option for DRRS as a sub-type of Non-Spin (July 27, 2023)



- ERCOT Market Initiative Overview Report for DRRS (Aug. 21, 2023)
- NPRR 1203, Implementation of Dispatchable Reliability Reserve Service, and IA (Sept. 27, 2023)
  - ◊ ERCOT Comments (Oct. 12, 2023)
- OBDRR 049, ORDC Changes Related to NPRR1203, and IA (Sept. 27, 2023)
- OBDRR 050, Non-Spin Changes Related to NPRR1203, and IA (Oct. 9, 2023)

## Current Updates

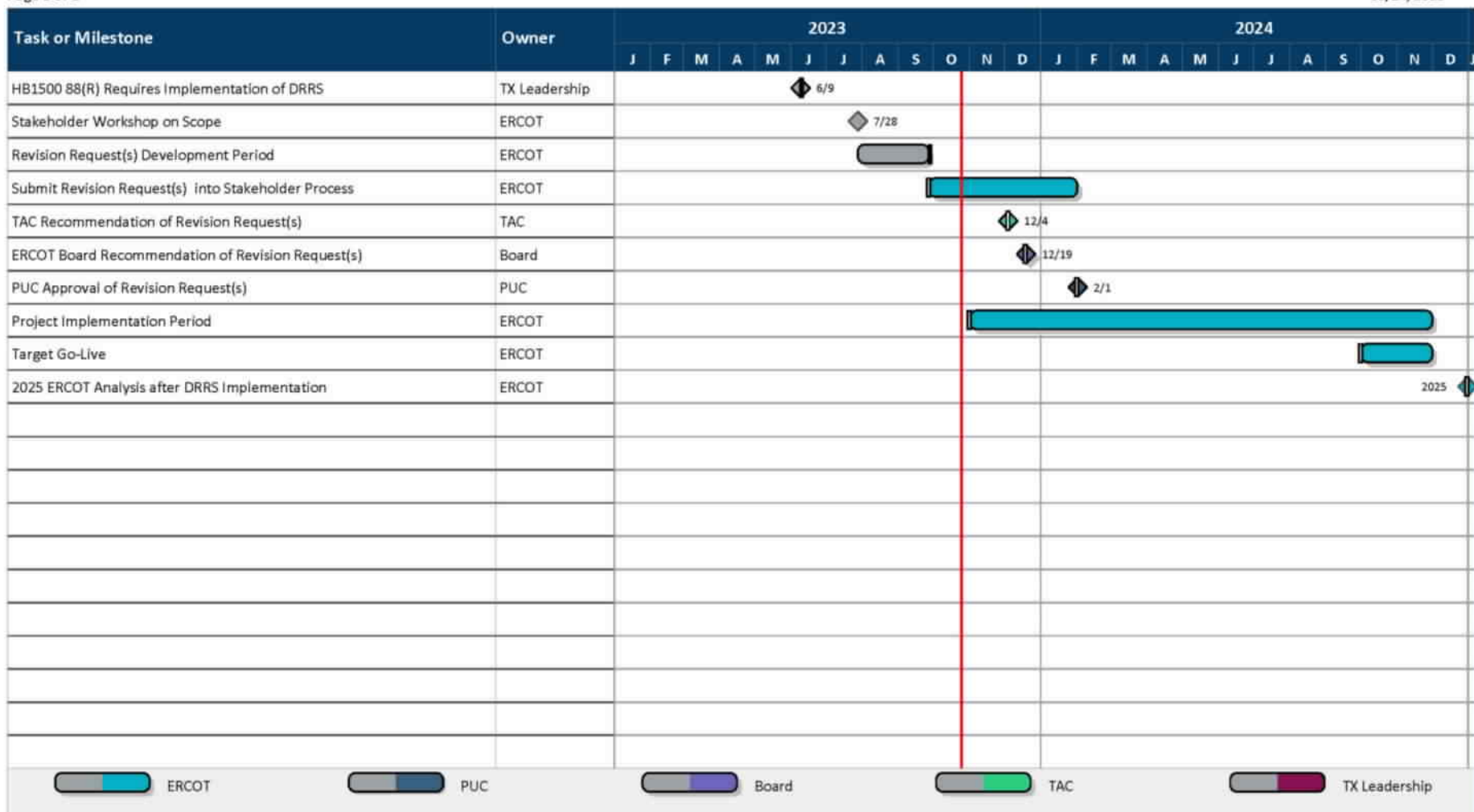
- ERCOT initiated NPRR1203 and OBDRR049 by submitting each of them to the stakeholder process on September 27, 2023. ERCOT submitted OBDRR050 to the stakeholder process on October 9, 2023.
  - ◊ On October 9, 2023, Texas Industrial Energy Consumers (TIEC) submitted comments in NPRR1203 proposing to require ERCOT to submit Revision Request(s) to implement a standalone form of DRRS as a separate Ancillary Service from Non-Spin. Additional stakeholder comments were filed on October 11, 12, and 20 by Sierra Club, Voltus, and Texas Advanced Energy Business Alliance (TAEBA) respectively.
  - ◊ On October 12, 2023, ERCOT submitted comments in NPRR1203 reaffirming the need to move forward with NPRR1203 in order to meet the statutory deadline but committing to develop a standalone DRRS product at a time that aligns with the delivery of Real-Time Co-optimization (RTC).
  - ◊ ERCOT's Comments were discussed by stakeholders at the Protocol Revision Subcommittee (PRS) meeting that same day. PRS voted to grant Urgent status to NPRR1203 in order to ensure that it can be considered on a timeframe sufficient for ERCOT Board consideration in December 2023.
- On October 17, 2023, Chairman Schwertner, Chairman Hunter, and Vice Chair Holland sent a letter to the Commission expressing concern with development of DRRS as a subtype of Non-Spin and urging the Commission to direct ERCOT to revise NPRR1203 to establish DRRS as a standalone Ancillary Service, even if doing so will cause a delay in the implementation timeline. The letter was filed in Project No. 55156.
  - ◊ At the October 24, 2023 TAC meeting, ERCOT requested that TAC temporarily table NPRR1203 and OBDRRs 049 and 050 in order to provide the Commission the opportunity to discuss the letter and potentially provide direction to ERCOT at the November 2, 2023 Open Meeting.
- The next TAC meeting is scheduled for December 4, 2023, at which time a vote to approve NPRR1203, OBDRR049, and OBDRR050 will be necessary if the ERCOT Board is to consider recommending approval of these Revision Requests at the December 19, 2023 Board meeting. If the ERCOT Board votes to approve the Revision Requests at that time, ERCOT anticipates filing the Revision Requests with the Commission shortly thereafter in Project No. 54445 in order to provide at least 30 days for Commission review prior to the February 1, 2023 Open Meeting.

## Timeline

## Major Initiative Tasks and Milestones - DRRS

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